

Top Secret 233

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NATIONAL INTELLIGENCE DAILY CABLE

Friday July 23, 1976

CI NIDC 76-172C



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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

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National Intelligence Daily Cable for Friday, July 23, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] The Palestinian delegation in Damascus met yesterday with Syrian Foreign Minister Khaddam and other Syrian officials. According to unconfirmed press reports out of Cairo, Palestine Liberation Organization chief Yasir Arafat has flown to Damascus to join the talks.

25X1 [] The delegation apparently carried a proposed agenda for eventual discussions between Arafat and Syrian President Asad. The agenda included the establishment of a cease-fire under Arab League auspices and the regulation of Palestinian activity in Lebanon in accordance with the restrictive Cairo accords.

25X1 [] Palestinian leaders, in private, have long held that the Cairo agreements--never implemented--are out of date and have to be renegotiated.

25X1 [] The Syrians frequently single out the enforcement of the Cairo accords as a primary condition to be met before they agree to withdraw.

25X1 [] Its inclusion on the Palestinian agenda probably represents a recognition by the Palestinians that the matter must be aired in any talks; they may intend it as a sign to Damascus that they are approaching the possibility of negotiations seriously.

25X1 [] Palestinian and leftist leaders reportedly do not expect much to come of the talks. They point to:

--The hard Syrian line enunciated by Asad in a speech on Tuesday.

--Continuing Christian and Syrian military pressure.

--The apparent acquiescence of other Arab states in Syria's strategy.

--What they see as Syrian efforts to undermine Palestinian-leftist unity.

25X1 [] The delegation's willingness to attend the meeting at all is probably a measure of its growing sense of desperation.

25X1 [] The leftist radio station is playing up the story that the US is supplying arms to the Christians by way of Israel--a charge that is bound to reinforce fears that the US is master-minding an anticipated Christian-Syrian attack on west Beirut.

25X1 [] The Christian station is asking diplomatic missions to move "temporarily" to the eastern sector of the city.

25X1 [] The leftists have reacted by moving men and military equipment into Beirut's coastal district. The US embassy--which is in that area--notes that vehicle-mounted heavy machine guns and one vehicle-mounted recoilless rifle have been stationed along the road near the shore, beginning at the Hotel Riviera and continuing approximately every hundred yards.

25X1 [] Heavily armed foot patrols have been instituted, and increased numbers of troops are in evidence. The embassy assumes these movements are related to widespread rumors of an imminent sea attack, a logical move in the event of a Christian assault.

25X1 [] The Palestinians seem to have become convinced that by delaying a new evacuation of US citizens from the area, they will stave off the Christian-Syrian attack they are expecting.

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25X1 [] The obvious edginess of the Palestinians and leftists who are bracing for an attack on west Beirut poses an additional hazard to US attempts to arrange an evacuation. If the talks in Damascus go badly for the Palestinians, their sense of desperation will be increased, and the possibility of some kind of rash action will grow.

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[] The 150-man Saudi Arabian contingent of the Arab League security force is attempting to establish a buffer zone between the two sides of the city. The force remained in position yesterday, although it again came under sniper fire and reportedly suffered several wounded. Each side is pointing to the other as the source of the fire.

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[] The fighting continues at Tall Zatar, but attention is beginning to shift to the Shia Muslim enclave of Nabaa, which has been shelled by the Christians for the last several days.

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[] According to one report, the Armenians--who have tried to stay out of the sectarian conflict, but who live just north of the Nabaa area--have blockaded access routes to the enclave and told leftists and Palestinians to get out within four days. The Armenians have already been involved in clashes with the leftists.

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[] The country beyond Beirut was relatively quiet yesterday. The Christian offensive is continuing--with some Syrian help--in the mountains east of Beirut.

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USSR-LEBANON: Soviet Views

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[] Yevgeny Pyrlin, deputy head of the Near East division of the Soviet foreign ministry, shed some additional light on Soviet views of the Middle East situation in a talk yesterday with a US embassy officer in Moscow.

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[] Pyrlin said the USSR strongly believes that the Syrians should withdraw from Lebanon, adding that this could be accomplished "perhaps with some conditions." While he did not spell these out, he indicated that the Syrians would likely accept only a partial withdrawal or perhaps a "cordon sanitaire" along the Syrian border.

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[] Despite strong differences over Lebanon, there has been no "spectacular" change in Soviet-Syrian relations, Pyrlin insisted. Asked about the Soviet supply of military equipment to Syria, Pyrlin replied, "as far as I know, all military agreements are being fulfilled." He probably would not have said otherwise, in any event.

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[] Pyrlin expressed great unhappiness over what he sees as the threatened destruction of the Palestinian movement. He blamed the Palestinians' plight equally on the current crisis in Lebanon and on the long-standing divisions within the Palestine Liberation Organization. A visit by Yasir Arafat to Moscow had been talked about and might be useful, he said, but Arafat cannot leave the Middle East given the complexities of the present situation.

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[] Pyrlin said he saw no prospect for the revival of the Geneva talks until after the US election. When questioned further, he said that there was no real prospect of convening the talks until the Palestinians "get their house in order" and that this will not take place until the crisis is resolved in Lebanon.

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[] Finally, Pyrlin asked about the reduction of the US embassy staff in Beirut and said that the Soviet embassy there was being cut, as of yesterday, from 40 to about 15. He noted that they were fortunate that their embassy has an independent water supply inside the compound.

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[] In general, Pyrlin seemed to feel that the situation in Lebanon was out of Soviet--and perhaps anyone's--control. He used the words "difficult" and "complicated" in almost every specific situation he discussed.

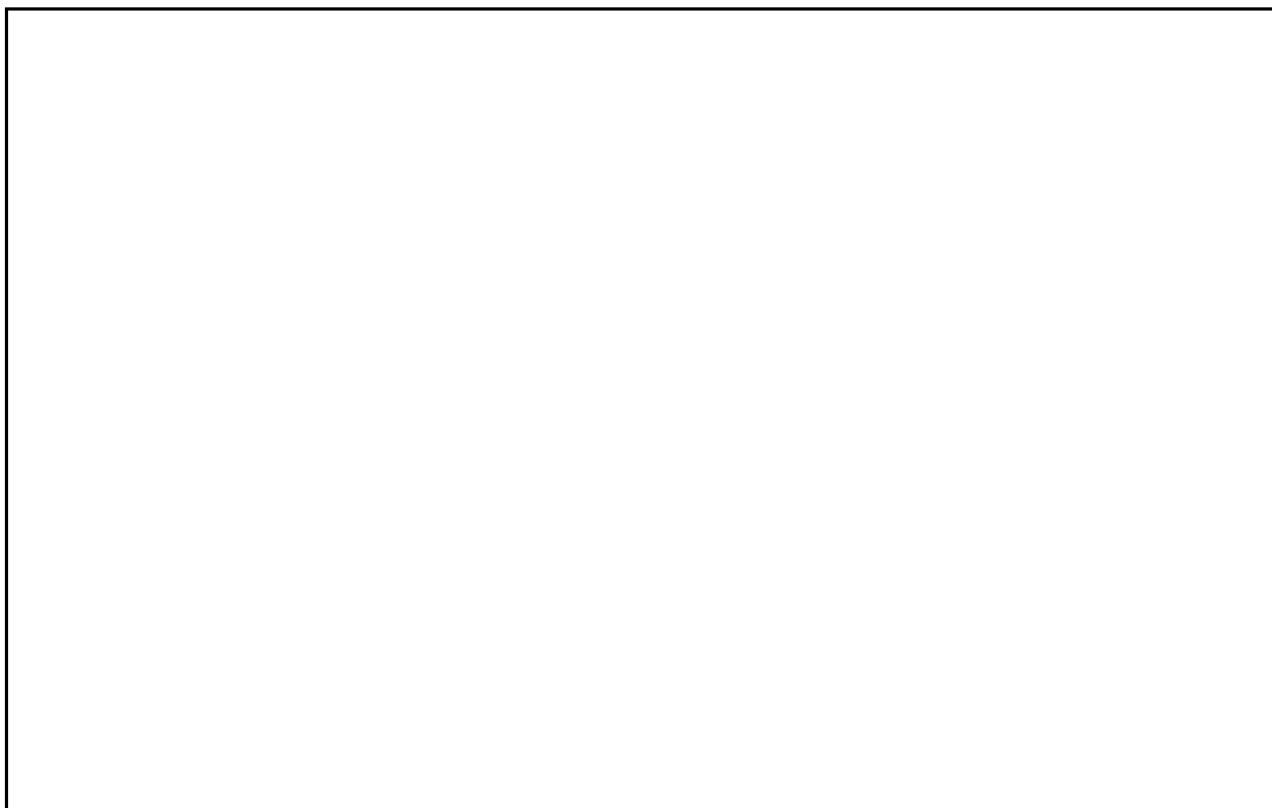
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[] His near despair at the plight of the Palestinian movement was evident, but other than admitting serious Soviet differences with the Syrians over the intervention, he did not indicate the manner in which the USSR was trying to press Syria to withdraw. []

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KENYA-UGANDA: Relations

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25X1 [] In public, however, Amin has adopted a more conciliatory attitude toward Nairobi in recent days. The Ugandan leader this week has repeatedly disavowed any hostile intentions toward Kenya, most notably in a telegram to President Kenyatta.

25X1 [] The Kenyans, for their part, recognize that Amin's military capabilities have been hurt by the economic sanctions and the apparent decline in morale among his troops.

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25X1 [] //The Kenyans probably reason that Amin's change to a conciliatory attitude--like similar mood shifts in the past--will be short-lived and followed by more hostile words, especially if he is helped in some way by Arab states.//

25X1 [] The Kenyans also are concerned about reports that Libya has sent Mirages and troops to Uganda. We still cannot confirm these reports, but a Libyan official told journalists in Kuwait last Sunday that Tripoli has provided "war planes" to Kampala and "will not stand silent if Uganda is exposed to an attack."

25X1 [] The Libyans announced on Wednesday that they will provide Uganda with petroleum products, but it is unclear what supply route they will use. Amin apparently has asked neighboring Tanzania for use of the port of Dar es Salaam.

25X1 [] Tanzanian President Nyerere, long a target of Amin's verbal attacks, will be far from eager to agree to such an arrangement. He has long regarded Amin as a threat and probably is taking comfort in Uganda's weakened position.

25X1 [] In an effort to offset the loss of its fuel supplies, Uganda reportedly has been commandeering petroleum bound from Kenya to neighboring Rwanda, causing serious economic dislocations in the latter country. 25X1 []

TURKEY-GREECE: Sismik I May Sail

25X1 [] Turkish Prime Minister Demirel has indicated that the Turkish research vessel Sismik I could sail for the Aegean as early as today.

25X1 [] The ship reportedly completed its sea trials successfully, and yesterday Demirel told reporters that the transfer of the vessel to the ministry of energy and natural resources would be official today. He said the ship "could be regarded" at that time as having sailed.

25X1 [] According to press reports, the Turkish navy has imposed restrictions on navigation and aviation at the Aegean Sea end of the Dardanelles for the period July 28 to 30.

[] 25X1

25X1 [] There is no confirmation of press reports that some Greek forces are on alert, although Athens is expected to have some units in a heightened state of readiness when the Turkish ship enters the Aegean.

25X1 [] Forces on both sides reportedly will be under orders to avoid any provocative actions. 25X1 []

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RHODESIA: Guerrilla Activity

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[] Nationalist guerrillas have for the first time carried out an attack along the main highway in western Rhodesia. Press reports indicate that the incident took place some 130 kilometers (80 miles) southeast of Victoria Falls.

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[] //The incident may signal more extensive guerrilla activities in northwestern Rhodesia, as threatened recently by Zambian President Kaunda. There have been several reports of guerrilla infiltrations into the area from Zambia. Guerrillas have already begun small-scale activity along the Botswanan border.//

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[] //If guerrilla attacks continue on the Victoria Falls highway, they could force the Rhodesians to begin a defense convoy system like that already in use on the main highways in the southeast. This would further stretch the manpower of Rhodesia's security forces.// []

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WESTERN SAHARA: Moroccan Casualties

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[] Morocco's inability to react quickly has contributed to the success of scattered hit-and-run guerrilla attacks. Rabat continues to rely on extensive sweep-and-clear operations, which have proved largely ineffective.

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[] The continuing guerrilla harassment may force the Moroccans to adopt more aggressive tactics and to use small mobile patrols to seek out the guerrillas before they launch an attack.

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[] For its part, the Front is playing up exaggerated accounts in the Algerian media of its military successes as it prepares for a new effort on the diplomatic front.

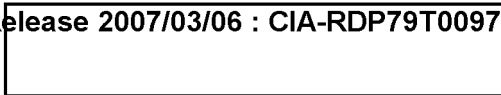
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[] With Algerian diplomatic support, the Polisario Front hopes to reopen the Saharan problem in such international forums as the nonaligned summit in Sri Lanka next month and the UN General Assembly session this fall. A special Organization of African Unity summit on Western Sahara has also been proposed for before the end of the year. []

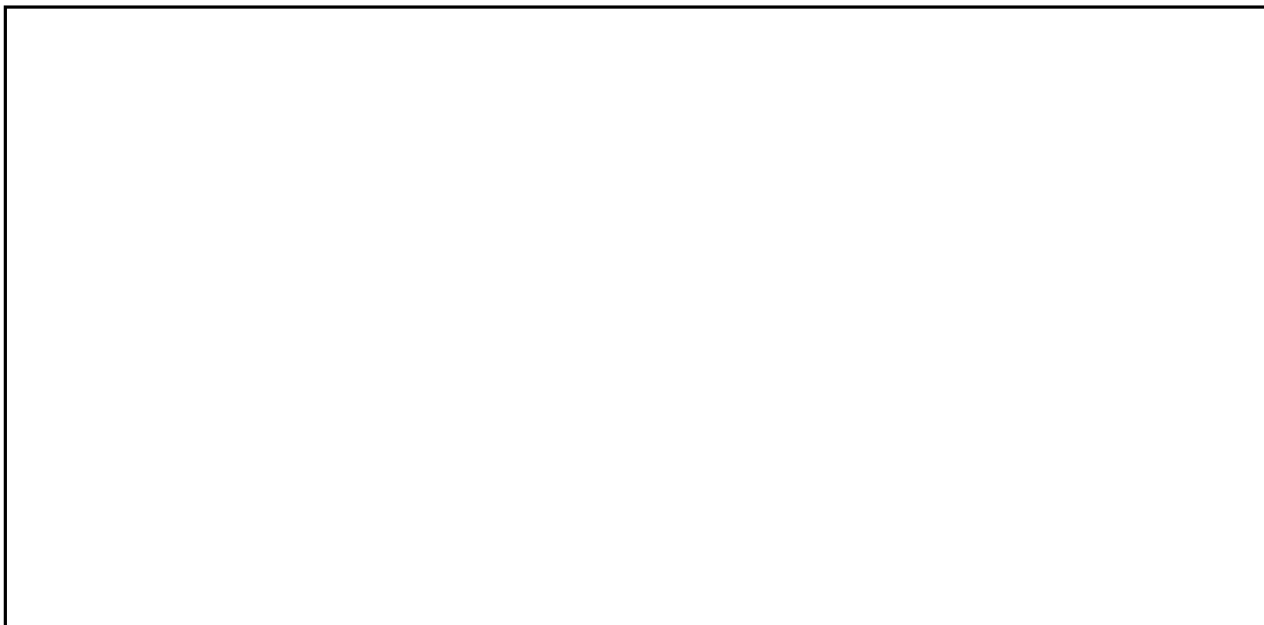
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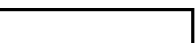


ITALY: Socialist Leadership Meeting

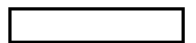
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 The Italian Socialist Party leadership is meeting today to formulate an official position on the proposed government program that prime minister - designate Andreotti discussed with the party yesterday.

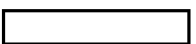
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 After the meeting, a Socialist spokesman hinted that the party would agree to abstain in a parliamentary vote of confidence--a development that could make it possible for Andreotti to form a temporary Christian Democratic minority government.

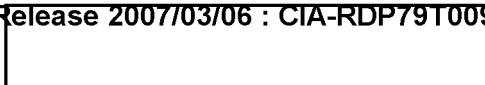
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 There are also indications that the Socialists may try to persuade the Communists to join them in abstaining in a confidence vote on an Andreotti government. Communist abstention would provide a face-saving device for the Socialists, who have insisted all along that they would not cooperate with the Christian Democrats unless the Communists were involved in some way with the government.

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 It would also enable the Socialists to claim that they are no more responsible than the Communists for the government's action.

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25X1 [] The Communists have been taking a wait-and-see attitude toward Andreotti's effort, refusing to take a position until he settles on a specific government formula. []

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UK: Spending Cuts Announced

25X1 [] //British Chancellor of the Exchequer Denis Healey yesterday announced \$1.8 billion in public-sector spending cuts for the fiscal year beginning April 1, 1977.//

25X1 [] //The proposed cuts, along with \$1.2 billion in revenue from a 2-percent increase in employers' contributions to the national insurance program, should meet any requirements the International Monetary Fund might put on new aid to the UK.//

25X1 [] //With more than \$1 billion of the \$5.3 billion credit the UK received from the Group of Ten already dissipated in support of the pound, a December borrowing from the IMF to repay the Group of Ten is beginning to look increasingly likely.//

25X1 [] //The measures prompted little reaction on the foreign exchange market. In London the pound gained slightly with Bank of England support. The government's action may not give sterling the boost that London hoped for because the cuts concentrate as much on investment as on reductions in social programs.//

25X1 [] //Included in the spending cuts are:

--A \$178-million cut in the defense budget.

--A \$280-million reduction in the investment program of the nationalized industries.

--A \$155-million reduction in road and transportation allocations.

--A \$187-million drop in programs for trade, industry, and employment.

--A \$142-million cut in food subsidies.

--A \$422-million reduction in housing, health, and social security spending.//

25X1 [REDACTED] //Healey's measures are a step toward reducing inflation. They should cut public-sector borrowing from an estimated \$20.5 billion in this fiscal year to \$16 billion in the next. The latter amount would represent 6 percent of national output, compared with 9 percent forecast for this fiscal year and 10 percent last year.//

25X1 [REDACTED] //By prevailing on the trade unions to go along with these budget cuts, Prime Minister Callaghan will have used up much of his political capital with the union leaders.//

25X1 [REDACTED] //If the Labor government eventually is forced by a slide in sterling to consider additional cuts in public spending, Callaghan will have to show strong improvement in unemployment statistics to persuade the unions to continue support for his economic policies. [REDACTED] 25X1

FRANCE: Franc Declines

25X1 [REDACTED] The French franc closed yesterday at 4.92 to the dollar, the lowest closing rate for the franc since January 1973. The franc has fallen 2.6 percent in the last week and over 10 percent since the beginning of the year.

25X1 [REDACTED] The franc's fall came despite a Bank of France announcement of a rise in the bank rate--the rate at which it discounts private banks' bills and other short-term paper--from 8 percent to 9.5 percent. This unusually large hike portends a higher interest rate structure in France, which should help strengthen the French currency. French authorities made little or no attempt at market intervention to stop the franc's latest fall.

25X1 [REDACTED] Before shifting to a policy of interest rate increases, the Bank of France reportedly spent well over \$400 million on recent intervention to moderate the franc's decline. French officials apparently were not averse to a franc depreciation to a rate around five francs to the dollar during the second half of 1976. [REDACTED] 25X1

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